



Victor Miramontes
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Victor Miramontes was born in El Paso, Texas. After completing a bachelor and Master of Arts degree in economics at Stanford University, he earned his J.D. from Stanford Law School in 1979 and is a member of the California and Texas Bars. Since then, he has combined law and banking in a distinguished career of business and public service.

On October 28, 1994, Mr. Miramontes was named Deputy Managing Director of the North American Development Bank in San Antonio, Texas. He was then appointed as the Bank's Managing Director on March 1, 1997.

Before joining the Bank, he served as Development Manager for La Quinta Inn; Vice President specializing in public finance for Paine Webber; First Vice President for Laredo National Bank; Founding partner of Cisneros Asset Management Co.; and Vice President and Regional Manager of the Asset Management Division of Wells Fargo Bank.

Mr. Miramontes' civic activities include: Vice Chairman of the San Antonio Water System; Chairman of the Board of the Alamo Public Telecommunications Council; Member of the Solid Waste Advisory Committee for the City of San Antonio Electric Utility; Participant in the Austin-San Antonio Corridor Council Water Task Force and Economic Development Committee; Participant in the establishment of the U.S. – Mexico Chamber of Commerce, Southwestern Chapter; and Member of the San Antonio Ad Hoc Water Finance Committee.

**TESTIMONY BEFORE THE
U.S. TRADE DEFICIT REVIEW COMMISSION**

MR. VICTOR MIRAMONTES

MANAGING DIRECTOR AND CEO OF THE NORTH AMERICAN DEVELOPMENT BANK (NADB)

Honorable Chairwoman Carla Hills and Commissioners:

Thank you for the opportunity to testify today on issues surrounding the *North American Free Trade Agreement*, specifically trade policies and solutions, NADB links to U.S. and Mexican trade, and the growth of cross-border activities. Given the limited time for oral presentations I respectfully submit additional written information, including a status report of the NADB's environmental activities, a summary of the Community Adjustment and Investment Program, and a very recent NADB publication, *U.S.-Mexico Border 10-year Outlook: Environmental Infrastructure Funding Projections*.

I. The U.S.- Mexico Border Reality

First, I am certain that the Commission has received recent and complete data on the U.S.-Mexico border. However, as a native of the region, I am compelled to highlight certain facts. Briefly, the 2000 mile long, 200 kilometer wide U.S.-Mexico border region:

- is the fastest growing region in both countries -- possibly in North America. (In the next 20 years the region's population will probably double from approximately 12 million to almost 25 million people.);
- is one of the poorest region of the U.S.;
- perpetually experiences the highest U.S. unemployment -- even in times of plenty;
- is home to water and ecosystems that are vulnerable to permanent damage;
- must live, every day with the direct effects of trade.

In order to bring these facts more vividly to life; imagine what these simple facts would mean in your own communities. What would downtown Washington's air quality be if it had a daily queue of idling diesel trucks stretching from Georgetown to the White House; the City of Portland, Oregon, would have grown from 490,000 to almost 700,000 people in just the past 10 years; and my alma mater, Stanford, could no longer be called "The Farm."

II. North American Development Bank Status Report

Second, the simplest way to describe the current status of the NADB's work is to say - "It is working!" The Bank's long-term resources -- both human and financial -- combined with the EPA's experience and grant resources for project affordability, the BECC's public process, and our focus on human capital development have resulted in real progress!

In summary:

- More water and wastewater projects are being built at one time than ever before. This is occurring throughout the region in all type of communities.
 - The NADB is currently participating and overseeing the design and construction of 22 projects.
 - 5.5 million border residents will directly benefit from these projects -- this represents almost half of the entire region's population.
- The Community Adjustment and Investment Program (CAIP), an affiliated, independent U.S. federal program, is providing loans, guarantees and grants for worker training, small business working capital and financing of capital expenditures.
 - Counties throughout the U.S. adversely affected by changing trade patterns as a result of NAFTA are eligible.
 - To date, 320 loans and loan guarantees valued over \$320 million have been made in 26 states helping create and sustain 6,942 jobs.
- The NADB has made human capital development of the border region it's highest priority. Proper management is the keystone to all future action.
 - Financial capital cannot be put to work, especially under the socioeconomic/demographic conditions previously described, without well-run communities, utilities and sister cities. Only local leadership can determine what is fundamental to a community's needs.
 - The Bank's Institutional Development Cooperation Program (IDP) is providing needed technical assistance in 80 projects in 59 communities.
 - The Bank's Utility Management Institute (UMI) is helping train approximately 20 border utility managers, every month, in the art of financial and business management, a small but effective effort.
 - Our financial structure allows us to make multi-year commitments to see this effort through.
- The NADB's non-financial, value-added role has proven to be as important as the hundreds of millions of dollars we manage.
 - Our objective and responsibility - projects "on time and on budget."
 - Short-term political efforts must not undermine long-term solutions.
 - The complex nature of modern economies makes it impossible to determine where the cause of a single problem begins or ends. For example, high

unemployment and urban growth directly impact the ability of border utilities to maintain proper rate structures. Though the Bank is not responsible for employment or urban planning, we must advocate appropriate action from responsible institutions for the NADB to meet its mission. A common vision and cooperation is critical.

Finally, a status report on the lessons learned by the NADB in our relatively short history. First, mutual binational respect and cooperation is an indispensable foundation. Second, the combination of all available resources is a model that works. A relatively small amount of U.S. funds added to existing Mexican funds goes a very long way. Third, fundamental reforms on both sides of our mutual border must occur.

I also refer you to our submitted 10-year outlook document to understand the Bank's strategic plan for border water and wastewater needs.

III. The Need for an Aggressive Vision

U.S.-Mexico trade is booming. The bang of this boom is showing up in the profits and growth rates of companies throughout the U.S. and Mexico. Border communities, however, are living with the smoke of the bang. Trade externalities that directly degrade the border region's quality of life, environment and future economic potential must be accounted for and paid for by all beneficiaries of the trade.

Historically, governments and institutions have reacted to the unfolding realities of this dynamic region. Given the exponential growth driven by one of the largest trading relationships in the world, such a continued reactive strategy will result in failure for all involved. A totally new vision must be adopted by the national governments, but the author of this positive vision must be the border region itself. It must be a proactive strategy that prepares for the inevitable social, economic and environmental issues that we will face in the next 20 years. Full partnership between key national production centers, the border region, and global markets is essential. The poorest and fastest growing region of the U.S. simply cannot fund the infrastructure that serves its basic needs, along with what is needed for our bilateral trading partnership.

There is a need to bring the full muscle of our nation's institutions to address the many needs of this wonderful and productive region. Both nations are clearly benefiting from our trade relationship, which is especially obvious since NAFTA was adopted. National transportation, health, labor, infrastructure and environmental support needs to be the strongest now. We are at a clear crossroads in the U.S.-Mexico border's history. Trade and the border region are inextricably linked together. Positive growth in U.S.-Mexico trade -- a good thing -- must not be allowed to overwhelm the border's physical and human resources. Trade will continue to be the region's future and a big part of the solution to its needs.

Thank you for this opportunity to speak with you. I will reserve several personal ideas I have on how to address these complex issues to the question and answer period. I hope that my comments will be useful as you prepare your findings to the Congress and the President.